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Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 COME-00 TRSE-00 OMB-01

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R 010711Z JUL 75
FM AMEMBASSY TEL AVIV
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PLEASE PASS OPIC/MAYS

E.O. 11652: N/A
TAGS: EINV, OTRA (MAYS, MARSHALL), IS
SUBJ: VISIT OF OPIC PRESIDENT MARSHALL T MAYS

BEGIN UNCLASSIFIED

1. SUMMARY: MARSHALL MAYS, PRESIDENT OF OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC), VISITED ISRAEL JUNE 22-27. HE MET WITH ISRAELI GOVERNMENT OFFICIALS AND BUSINESS LEADERS, EXPLAINED OPIC PROGRAMS, AND INITIATED INVESTIGATIONS INTO OPIC INVESTMENT IN ISRAEL. VISIT WELL RECEIVED BY ISRAELIS AND JUDGED HIGHLY SUCCESSFUL BY EMBASSY. END SUMMARY.

2. MARSHALL MAYS, PRESIDENT OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC), VISITED ISRAEL JUNE 22-27. HE MET WITH MINISTER OF FINANCE RABINOWITZ, WITH OFFICIALS OF MINISTRY OF FINANCE AND INVESTMENT AUTHORITY, AND WITH ISRAELI BANKERS AND BUSINESSMEN.

3. IN HIS MEETINGS, MAYS OUTLINED SCOPE OF OPIC PROGRAMS, SPECIFICALLY INSURANCE AND INVESTMENT LOANS. WHILE OPIC CURRENTLY HAS 37 INSURANCE CONTRACTS IN ISRAEL ON TOTAL VALUE OF 54 MILLION DOLLARS, NO OPIC INVESTMENT LOANS HAVE YET BEEN MADE HERE AND AN
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IMPORTANT PART OF MAYS' VISIT WAS DEVOTED TO MAKING INITIAL

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INVESTIGATIONS INTO OPPORTUNITIES FOR OPIC INVESTMENT PROJECTS. IN ADDITION TO INITIAL INVESTIGATIONS, MAYS EXPRESSED PARTICULAR INTEREST IN OBTAINING VIEWS OF ISRAELI GOVERNMENT CONCERNING PRIORITY INVESTMENT PROJECTS. OFFICIALS FROM INVESTMENT AUTHORITY AGREED TO FURNISH IN NEAR FUTURE A LIST CONTAINING 10-15 PROJECTS.

4. MAYS MADE FOLLOWING POINTS ABOUT OPIC INVESTMENT LOANS: (A) OPIC DOES NOT COMPETE WITH COMMERCIAL INVESTMENT FACILITIES, BUT TRIES TO INVEST IN ENTERPRISES WHERE FUNDS ARE NOT NORMALLY AVAILABLE, MAINLY IN "POOREST COUNTRIES" (DEFINED AS THOSE HAVING LESS THAN $450 PER CAPITA ANNUAL INCOME). END UNCLASSIFIED.

BEGIN LIMITED OFFICIAL USE. ISRAEL'S JUSTIFICATION FOR OPIC ELIGIBILITY DESPITE ITS HIGH DEVELOPMENT LIES IN HIGH PROPORTION OF DEFENSE EXPENDITURES WHEN RELATED TO TOTAL ECONOMY. END LIMITED OFFICIAL USE.

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(B) OPIC INVESTMENT FUNDS ARE LIMITED IN AMOUNT: AT PRESENT OPIC HAS $40 MILLION TO BE SPREAD OVER 80 COUNTRIES. OPIC MONEY IS EXPENSIVE: COMMERCIAL RATES PLUS 2-3 PERCENT GUARANTEE FEE. LAST YEAR OPIC MADE 12 INVESTMENT LOANS WORLDWIDE, 6 THE YEAR BEFORE. NEXT YEAR THEY PLAN TO MAKE 15-18.

(C) OPIC GENERALLY LIMITES ITS LOAN PARTICIPATION TO $2 MILLION PER PROJECT. ADDITIONALLY, OPIC USUALLY PARTICIPATES IN GUARANTEES AND INSURANCE.

5. EARLY IN VISIT, MAYS HAD EXPLAINED TO EMBOFFS THAT HE WAS AFRAID THAT ISRAELIS DID NOT KNOW ABOUT LIMITATIONS OF OPIC FUNDS FOR INVESTMENT, AND THAT THEY WERE EXPECTING CONSIDERABLY MORE THAN WAS ACTUALLY AVAILABLE. IN HIS MEETING WITH MINISTER OF FINANCE RABINOWITZ AS WELL AS IN OTHER MEETINGS WITH MINFIN OFFICIALS, MAYS SAID THAT HE HOPED ISRAELI EXPECTATIONS FROM OPIC HAD NOT BEEN RAISED TOO HIGH BY GENERAL STATEMENTS MADE IN JOINT COMMITTEE FOR LIMITED OFFICIAL USE

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INVESTMENT AND TRADE COMMUNIQUE OF MAY 14. ALTHOUGH ISRAELI GOVERNMENT OFFICIALS DID NOT EPRESSLY SAY SO, THEIR GENERAL REACTION TO MAYS' PRESENTATION ON INVESTMENT LOANS WAS CLEARLY ONE OF DISAPPOINTMENT. NEVERTHELESS, ISRAELIS WERE EAGER TO LEARN ABOUT WAYS IN WHICH OPIC COULD BE OF ASSISTANCE TO ISRAEL.

6. AT LUNCHEON FOR MAYS ATTENDED BY INVESTMENT AUTHORITY

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OFFICIALS, ISRAELI BUSINESS LEADERS AND BANKERS, FEASIBILITY OF OPIC INVESTMENT WAS DISCUSSED. AFTER MAYS HAD EXPLAINED OPIC'S PROGRAM (PARA THREE) AND INVESTMENT AUTHORITY OFFICIALS HAD INTERPRETED PROGRAM IN LIGHT OF BUSINESS CONDITIONS IN ISRAEL, BUSINESSMEN WERE ASKED WHETHER THEY HAD ANY PROJECTS IN MIND. NO PROPOSALS WERE IMMEDIATELY FORTHCOMING. SEVERAL BUSINESSMEN QUESTIONED ADVISABILITY OF TAKING HIGH-INTEREST DOLLAR LOANS WHEN ECONOMIC FUTURE HELD FORTH CONTINUING PROSPECT OF INFLATION AND DEVALUATIONS. THEIR ATTITUDE WAS THAT IT WAS UP TO ISRAELI GOVERNMENT TO IMPROVE INVESTMENT CLIMATE IN ISRAEL.

7. SEVERAL INNOVATIVE IDEAS WERE DEVELOPED DURING COURSE OF MAYS' VISIT. (A) MAYS MENTIONED THAT HE WAS GOING TO RECOMMEND TO THE OPIC BOARD A PROPOSAL TO GUARANTEE A PHILIPPINE GOVERNMENT BOND IN THE US. OPIC HAS NOT PREVIOUSLY MADE SUCH GUARANTEES, AND WOULD DO IT (IF APPROVED) ON ONE-TIME BASIS TO INTRODUCE GOP INTO US MARKET. ISRAELIS INDICATED DESIRE TO BE SECOND IN LINE, AND MAYS SUGGESTED THAT PRIVATE OFFERING MIGHT BE POSSIBLE.

(B) MAYS WAS INTERESTED BY ISRAEL'S DEVALUATION INSURANCE PROGRAM, WHICH IS AVAILABLE TO PRIVATE BUSINESS ON SELECTIVE BASIS. HE INDICATED IT COULD BE USEFUL TO LOOK INTO POSSIBILITY OF CREATING AN INTERNATIONAL DEVALUATION INSURANCE PROGRAM, PERHAPS IN CONNECTION WITH THE IMF.

(C) IN TRYING TO RECONCILE OPIC'S LIMITED INVESTMENT FUNDS WITH US DESIRE TO ASSIST INVESTMENT IN ISRAEL, MAYS THOUGHT THAT IT MIGHT BE POSSIBLE TO INCREASE OPIC LEVERAGE THROUGH CREATION OF NEW CONSORTIUM OF US-OWNED BANKS. A GROUP OF BANKS INTERESTED IN INVESTING IN ISRAEL, MOTIVATED PARTLY BUT NOT WHOLLY BY PROFIT
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INCENTIVES, MIGHT POOL $100 MILLION FOR INVESTMENT LOANS. OPIC COULD PERHAPS GUARANTEE $20 MILLION IN INTEREST PAYMENTS AND EARLY MATURITIES, THEREBY ELIMINATING LARGE PART OF RISKS INVOLVED. OPIC PARTICIPATION WOULD HOPE-FULLY INDUCE OTHERWISE HESITANT INVESTORS TO UNDERTAKE PROJECTS THEY REALLY WANTED TO SUPPORT.

8. MAYS SAID THAT HE WOULD BE DISCUSSING THESE IDEAS IN WASHINGTON. HE OFFERED TO SEND OUT FRANK HILL, WHO IS RESPONSIBLE FOR OPIC INVESTMENT PROGRAMS IN ISRAEL, TO FOLLOW-UP ON ANY ISRAELI-PROPOSED PROJECTS. HILL'S VISIT WILL PROBABLY TAKE PLACE IN SEPTEMBER OR OCTOBER.

9. BEGIN LIMITED OFFICIAL USE. SOME ISRAELI OFFICIALS

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EXPRESSED CONCERN ABOUT THE EFFECTS OF ARAB BOYCOTT
ON US INVESTMENT IN ISRAEL. MAYS SAID THAT WHILE US
POLICY WAS TO SUPPORT ISRAEL, IT WAS DOUBTLESS TRUE THAT
SOME US COMPANIES WERE RELUCTANT TO RISK THEIR CHANCES
FOR PETRODOLLARS BY BRAVING THE BOYCOTT. MAYS BELIEVED THAT
THERE IS GREAT POTENTIAL FOR ISRAEL TO DEAL WITH MANY SMALLER
US BUSINESSES, ESPECIALLY IN THE SOUTH AND WEST.
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VELIOTES

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